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Project 10, 1996
19 Sept 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Evaluation of the Soviet Handbook, USSR Industry

1. In response to your recent request, we have reviewed in detail the new Soviet handbook, USSR Industry, with specific reference to our research program.

2. Effect on NSA's Research Program

a. USSR Industry provides production series in greater detail and coverage than has been available for the non-military oriented part of industry. The amount of detail in the handbook is actually greater than we would have attempted to construct from fragmentary sources, and obviates the need for detailed research leading to historical production estimates in the areas it covers. In our current research no significant effort is allocated to historical production estimates in these areas. The areas not covered by the handbook are the defense-oriented parts of industry including aircraft, ships, electronics and communications equipment, missiles, atomic energy, non-ferrous metals, special steel alloys, and chemicals for missiles, atomic energy and other military consumption. A considerable part of our basic research on industry is in these fields.

b. Most of the rest of our basic research on Soviet industry is directed toward factors bearing on future growth prospects of the Soviet economy. The handbook does not provide data on use patterns (except electric power), stocks, wages, investment and new construction by industry, which are important for analysis of growth. Much of the data in the handbook will, however, indirectly contribute to estimates of these quantities.

c. The handbook will nevertheless greatly improve our analysis of Soviet industrial growth problems. Few approaches will now be possible, not all of which can be clearly seen yet. One important new project is feasible and is currently underway. A value added civilian industrial production index for the years 1950-1955 of much greater coverage and detail than our old one can be calculated. The coverage of this index will be approximately as broad, though not quite as detailed, as the Federal Reserve Board industrial index for the US.

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d. We shall be reviewing our program over the next few months with the handbook and other new data specifically in mind. As the new data become assimilated and new approaches are developed we anticipate constructive modifications of the program.

3. USSR Industry, a Statistical Compilation is the most detailed of the Soviet handbooks yet released. It is important for its extension of our knowledge of industrial production by coverage and detail of commodity type, by time periods covered, and by regions. However, it leaves blank significant areas of industry that have always been blank -- e.g., military and space, atomic energy, electronics, non-ferrous metals, and other defense oriented production. Although it furnishes more Soviet value indexes, it fails to explain the construction of these indexes.

4. Scope of the Handbook

a. The book consists of an aggregate or summary section followed by sections on each of the major branches of industry.

b. The aggregate section contains selected commodity production series by regions, overall and branch of industry production indexes, electric power balances and growth of production by regions, and a sprinkling of data on costs, capital structure, number of workers and productivity.

c. The information on individual branches of industry varies considerably from branch to branch but the following categories of information are usually given where relevant:

- (1) Composition of fixed capital structure
- (2) Electric power consumption
- (3) Labor productivity indexes
- (4) Percent breakdown of costs into wages, material, amortization, etc.
- (5) Production in physical units by type annually for 1950-1955 and for selected years back, in many cases, to 1913
- (6) Production of major commodities by region
- (7) Raw material input or other technical performance coefficients
- (8) Enterprises by size class
- (9) Introduction of new technology, new equipment or programs of mechanization

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d. The last three items on the list are less general than the first six. The very large category of machine building and metal working is treated as a single branch of industry except for production by type of machine. Only production tables are given for consumer durables.

5. New Data Contained in the Handbook

a. Commodity Production Statistics

(1) The handbook extends our coverage of commodity production in every branch of industry except the defense-oriented industries, either in terms of additional items, finer breakdowns by type or additional years covered. Complete coverage of the Korean war years 1951-1953 is of particular importance.

(2) The most important extension of production data is in the machinery sector. New production series presented include construction machinery, boilers, some types of mining machinery, cranes and elevators, electric furnaces, types of equipment for the textile, leather and printing industries, and many additional kinds of agricultural machines. Production for early years and for single years from 1950-1955 are reported for nearly the whole range of machinery items. Production for the critical years 1951-1953 was previously missing for such important categories as machine tools, railroad equipment, pressing and forging equipment, agricultural machinery, turbines, generators, electric motors and diesel engines. A considerably more detailed breakdown by type of machine than formerly available is presented for most classes of machinery, most notably machine tools.

(3) Notable omissions in the machinery field are aircraft, armaments, electronics, ships and a still considerable number of types of general industrial equipment.

(4) New production series reported for basic raw materials are fairly limited but in a few cases important. These are mainly motor vehicle tires, rubber footwear, synthetic dyes, lacquers, wood chemicals, glass products, roofing materials, refractory materials, and manganese ore (for additional years). However, in most raw materials substantially more detailed product breakdowns were provided than were previously available, especially in steel, some chemicals, timber, wood and paper, and construction materials.

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(5) The handbook provides little or no data for non-ferrous metals, special steel alloys, petroleum refining, or defense-oriented chemical production.

(6) For the consumer industries there is a large amount of production data on textiles, footwear, furniture, and consumer durables which is either new or much more detailed than before. These production series cover areas in which the Economic Research Area has not had the manpower to make detailed production estimates.

b. Regional Production

Regional breakdowns of production are reported for many major commodities. These will be an important research tool for all branches, particularly in light of the new regional organization of industry.

c. Soviet Gross Value Added

(1) The Industry handbook published for the first time individual production indexes for 17 major branches of industry for the years 1950 to 1955. In addition, indexes for some but not all of the subsectors of the machinery branch of industry are shown. The machinery subsector indexes shown are:

- (a) Machine tools
- (b) Boiler equipment and prime movers
- (c) Electromotive equipment
- (d) Railroad equipment
- (e) Shipbuilding
- (f) Motor vehicles
- (g) Tractors
- (h) Agricultural machines
- (i) Construction equipment

(2) These indexes along with the considerable extension of the physical production sample available will facilitate a much more meaningful evaluation of the Soviet gross production index than has been possible to date.

d. Non-production statistics

The variety of statistics, on employment, productivity, costs, coefficients of performance and fixed capital

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structure are difficult to evaluate. Stated usually in terms of percentage breakdowns or increases with no explanation of coverage or statistical method they make little immediate contribution to intelligence. Unquestionably, though, they will contribute to our analysis as they become more thoroughly understood.

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